



**Date:** November 4, 2014

**To:** Thomas J. Bonfield, City Manager  
**Through:** W. Bowman Ferguson, Deputy City Manager  
**From:** Joel V. Reitzer, Director, General Services Department  
**Subject:** Proposed Acquisition of 320 Muldee Street for  
the Department of Transportation's Sign and Signal Shop Operations

### **Executive Summary**

The Real Estate staff has negotiated an Option to Purchase a 2.23 acre site located at 320 Muldee Street, Durham, NC 27703 (subject property) for the intended relocation of the Department of Transportation's Sign and Signal Shop Operations. The Department of Transportation Sign and Signal Shop is currently located at 1100 N. Alston Avenue and that facility does not meet their current operational and/or future needs.

The subject property includes an existing office/warehouse structure of approximately 20,000 square feet. The original brick and metal structure was built in 1987 and has been modified in recent years to include additional conditioned warehouse areas. The previous occupant of the property was a pavement and road marking company.

Real Estate staff searched for alternative sites and buildings and the subject property most efficiently meets the current and future needs of the Sign and Signal Shop Operations compared to alternative properties. There is adequate office and warehouse space to accommodate 30-40 employees, and secured parking for work vehicles, interior and exterior storage and shop facilities, and there is ample paved parking for employees and visitors. The current zoning is light industrial (IL). The subject property is within close proximity to US 70, I-85 and NC-147 allowing for efficient access for Sign and Signal Shop operations.

Currently, \$536,000.00 is available in the existing CIP project. The negotiated purchase price for the property acquisition is \$1,000,000.00. The projected date of closing is on or before December 31, 2014. Further, additional funding in the amount of \$2,000,000.00 is necessary for estimated design and renovation costs for a total project budget of \$3,536,000.00.

### **Recommendation**

1. The General Services Department recommends that City Council adopt an ordinance amending the Capital Improvements Project Ordinance, Fiscal Year 2014-2015, as amended, the same being Ordinance #14623 for the purpose of adding funding in the amount of \$3,000,000.00 to the New Sign and Signal Shop Project (CL001).
2. The General Services Department and Transportation Department, recommend that City Council approve the fee simple acquisition of 2.23 acres of land and improvements from Muldee Limited Partnership at 320 Muldee Street (parcel #159525) for \$1,000,000.00.

## **Background**

In 1999, the Sign and Signal Shop, a Division of the Public Works Department, was relocated to 1100 N. Alston Avenue due to the sale of its former site for economic redevelopment purposes. The current site, adjacent to East End Park, is partially located in a flood plain and includes an aged former residential dwelling that was converted for industrial use for Sign and Signal Shop operations. The dwellings and service yard are no longer suitable for the operation. The buildings are not ADA compliant, parts of the dwellings are not heated and cooled, the structures, if conditioned, are not energy efficient, there is no fire suppression system, the sizes of the disjointed dwellings are not adequate relative to the number of staff and the graveled site is not large enough to adequately accommodate vehicle parking and storage.

In 2005, the General Obligation Bond portfolio budgeted \$1,130,000.00 to develop a Sign and Signal Shop program as part of the proposed Public Works Operations Center North (PWOCN) adjacent to the City's Fleet Maintenance facility. In 2010, a portion of that funding (\$543,000.00) was used to fund design and construction of a salt dome at Fleet Maintenance. Thereafter, Sign and Signal Shop operations, as part of the newly formed Transportation Department, were separated from the Public Works Department.

Following an RFQ process, Williard Ferm Architects was contracted to develop a space needs program for the Public Works Operations Center (PWOC) (1100 Martin Luther King, Jr. Parkway), including feasibility study for co-location of Sign and Signal Shop operations at PWOC. \$51,000.00 of funding was utilized to pay for the space needs program study. Williard Ferm's study included staff and vehicle projections for Sign and Signal Shop through 2023. The study's findings also identified that locating Sign and Signal Shop Operations at PWOC was cost and schedule prohibitive. Based on Williard Ferm's assessment of the existing Sign and Signal Shop facility and the department's business plan through 2023, the assessment showed that the Sign and Signal Shop would require increase in staffing, transportation vehicles, and equipment to meet its future needs.

Two potential options were subsequently identified; first, co-locating the Sign and Signal Shop Operations with the proposed PWOCN, adjacent to Fleet Maintenance and second, the possibility of the Sign and Signal Shop occupying space at PWOC after the Water Management Department relocated to a new, unspecified location. Neither of these options were deemed viable solutions.

## **Issues/Analysis**

During the past year, the Real Estate Division and Project Management Division of the General Services Department have assisted the Transportation Department in reviewing various options for the relocation of the Sign and Signal Shop. A summary of the search is as follows:

- Purchase of raw land in the range of 6-7 acres zoned IL (light industrial). Several sites within the City limits were explored; all within a price range of \$42,000-\$45,000 per acre. While the land costs were considered reasonable, and a particular site chosen by key personnel, the cost of construction was deemed prohibitive at an estimated \$10,457,000.00.
- Renovation of Sign and Signal Shop's existing site at 1100 N. Alston Avenue. Project Management explored a redesign of the existing site which would avoid any land acquisition; however there were logistical challenges due to extensive flood plain,

potential environmental issues and ultimately, the cost of construction was deemed prohibitive at an estimated \$9,054,000.00.

- Existing buildings for sale within the City limits were evaluated. Seven potential properties were toured. Properties were ruled out due to limited building area, poor building conditions, maneuverability inside the building, accessibility, limited service yard, or shared tenancy within a larger complex.
- 320 Muldee was selected as most suitable for the Sign and Signal shop's current and future needs and can be designed and renovated within an estimated \$2,534,000.00 budget. As part of NCDOT's future East End Connector Project, the property was appraised in October, 2012 at a value of \$1,043,750.00. A phase one environmental assessment of the property was conducted in April, 2014, which did not identify any substantive issues on the parcel.

The Option contains the following terms and conditions:

- (1) The property has a total of 2.23 acres;
- (2) The purchase price is \$1,000,000.00
- (3) The Option shall be void unless it is exercised before midnight on December 31, 2014.

### **Alternatives**

An alternative is not to proceed with the purchase of 320 Muldee; however, based on the results of the Williard Farm study and input from City staff, relocation of the Sign and Signal Shop Operations is imperative. Staff recommends against this alternative.

### **Financial Impact**

Current funding is available in CIP and future additional funding will be funded through debt financing:

Original CIP budget	\$1,130,000.00
Salt dome construction (2010)	(\$543,000.00)
Space program feasibility study	(\$51,000.00)

Available CIP funding \$536,000.00

Additional CIP funding request \$3,000,000.00

**Revised total Project funding \$3,536,000.00**

Expenditures related to Acquisition/Design/Construction:

Purchase price	(\$1,000,000.00)
Title insurance and Attorney's fees	(\$2,000.00)
Estimated Design, Construction and Contingencies	(\$2,534,000.00)

### **SDBD Summary**

This item does not require review by the Equal Opportunity/Equity Assurance Department.

Attachments: Option to Purchase, Map of Subject Parcel, Presentation